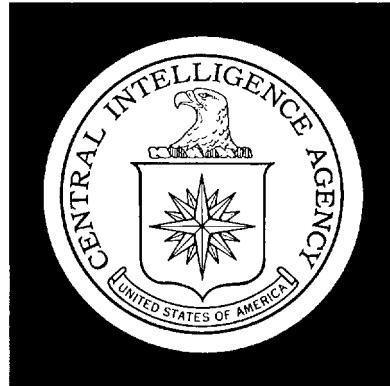


**Secret**

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# *Central Intelligence Bulletin*

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PAKISTAN: The government, faced with rapidly dwindling foreign exchange reserves, has tentatively decided to delay debt repayment to its major Western creditors.

Islamabad apparently decided to act on its own after meeting reluctance on the part of free world creditors to volunteer new aid or debt relief. Pakistan may hope that the creditors will make a counteroffer, but prospects for this are dim. The West Pakistanis have managed to alienate much of free world opinion in recent weeks.

Pakistani officials estimate that the self-initiated six-month moratorium will amount to \$60 million in relief, the same amount which the International Monetary Fund recently refused to grant. The delay will apply to official aid granted by a Western consortium to the central government and government corporations. Other smaller debts, including those owed to Communist countries, apparently will not be affected.

In a related move to slow the drain on its foreign exchange holdings, Pakistan has acted to cut back imports. Most manufactured consumer goods imports have been banned, and increased restrictions have been imposed on many others. A government spokesman indicates that its foreign trade situation will be reviewed in June prior to setting import policy for the last half of the year.

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COMMUNIST CHINA - MIDDLE EAST: Peking's efforts to expand its diplomatic presence in the Middle East and to win votes for admission to the UN are now focusing on Turkey and Iran.

Turkish Foreign Minister Olcay on 25 April announced that direct talks had recently started with the Chinese concerning the establishment of diplomatic relations. [redacted]

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[redacted] the Turks probably will eventually accept something resembling the "Canadian formula," in which Ankara would take note of Peking's claim to Taiwan without endorsing it. Although the Turks expect the negotiations to be protracted, the Chinese undoubtedly are anxious to gain recognition before the next session of the UN and may demonstrate considerable flexibility concerning the recognition formula.

Iran's interest in establishing diplomatic ties with Peking became obvious in light of the recent visit to China of the Shah's twin sister, Princess Ashraf, and the Shah's remarks to Egyptian correspondents that Iran was studying the question of recognizing Peking. During a press conference after her return from Peking, Princess Ashraf left little doubt that she will recommend the establishment of diplomatic relations with Peking. Tehran has followed up Princess Ashraf's visit with one by her younger sister, who is to arrive in China today.

Princess Ashraf said Iran would link its position on Peking's admission to the UN to its decision on whether or not to recognize Communist China. Nonetheless, both Iran and Turkey regard Communist China as a possible balancing factor in their relations with the Soviet Union and are unlikely to be overly concerned by the possible effects of recognition on issues at the UN.

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Recognition by Turkey and Iran will increase pressure on other Middle Eastern governments to climb on the bandwagon. Beirut's position is somewhat unclear, but the Lebanese foreign minister recently indicated that the recognition of Communist China by Kuwait had increased pressure on Lebanon to follow suit. [redacted]

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POLAND: General Mieczyslaw Moczar, one of the top members of the party and a potential rival of party leader Gierek, reportedly has been relieved of his responsibilities because of poor health.

Moczar, one of the more dogmatic party members, has not appeared in public since 8 April, and

the general had a heart attack on 14 April. Stanislaw Kania, who was appointed to the party secretariat on 16 April, is said to have assumed Moczar's manifold duties as overseer of the military and internal security establishment, church affairs, and health services.

Indeed, Kania, but not Moczar, joined Gierek and Premier Jaroszewicz in a public meeting with health workers on 23 April. In addition, Moczar was the only politburo member--except for those out of the country--who did not attend a Soviet Embassy reception on 21 April to celebrate the anniversary of the Polish-Soviet friendship treaty.

During the latter stages of the Gomulka era, Moczar and Gierek were regarded as the main contenders for the succession. Since the worker upheavals last winter, Moczar has cooperated with Gierek's efforts to restore the party's authority, and Moczar's absence will not have any immediate effect on Gierek's leadership.

If Moczar continues to be sidelined, it will strengthen Gierek's position as the undisputed leader of Poland. Speculation will now center on whether Moczar will leave the political scene permanently and, if so, whether his remaining supporters will seek to rally around a new leader such as Warsaw party chief Jozef Kepa.

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EAST GERMANY - ECE: The question of East German participation may well cause the collapse of the conference of the UN Economic Commission for Europe (ECE) on environmental problems slated to be held in Prague next week.

At issue is whether the East Germans will be accorded privileges reserved for members or whether they will be listed as guests of the Czechoslovak Government, a citation which would give them observer status. The Soviet Union has threatened not to attend if the ECE fails fully to recognize Pankow, which also has strong backing from Czechoslovakia.

A compromise proposal presented by ECE Executive Secretary Stanovnik, a Yugoslav, would allow the East Germans to address the conference and would include a written agreement to this effect between the ECE and the Czechoslovak Government. The US, which is planning to send a large and prestigious delegation, opposes this suggestion and prefers--if a satisfactory formula cannot be worked out--to change the site of the conference to Geneva, where pro-Pankow delegations would have less latitude.

Bonn agrees with the US position and feels that it is extremely important to hold the line against East German participation in view of the upcoming World Health Assembly in Geneva, another target in the East German campaign for international recognition.

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TURKEY: Martial law is being implemented with as little disruption as possible. Known extremist organizations, such as the Revolutionary Youth Federation, have been banned indefinitely. Although there reportedly have been some arrests, any widespread roundup of suspects probably will await the passage of tougher new laws.

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BOLIVIA: President Torres is under pressure to announce the nationalization of the US-owned Matilde Mine or the South American Placers Company on May Day. He would take this "revolutionary" action in the face of a planned massive demonstration by leftist labor and student groups that is scheduled to culminate in the inauguration of a "popular assembly." The President may decide that a dramatic gesture is necessary to placate the "popular forces." Concerned about the possibility of violence, Torres will address the nation tomorrow to plead for calm; the military will be on alert and confined to quarters beginning tomorrow.

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USSR: Soviet naval units, including the helicopter carrier Leningrad, are conducting exercises in the eastern Mediterranean. In all, 14 surface warships and at least three submarines are taking part. The exercises are principally antisubmarine warfare in nature

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